

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Express Mail, Priority Mail & First-Class
Package Service
Express Mail, Priority Mail & First-Class
Package Service Contract 1

Docket No. MC2012-46

Competitive Product Prices
Express Mail, Priority Mail & First-Class
Package Service Contract 1 (MC2012-46)
Negotiated Service Agreement

Docket No. CP2012-55

PUBLIC REPRESENTATIVE COMMENTS

(September 10, 2012)

I. BACKGROUND

In response to Order No. 1458,¹ the Public Representative hereby comments on the August 30, 2012 United States Postal Service Request to Add Express Mail, Priority Mail & First-Class Package Service Contract 1 to the Competitive Product List.

The Public Representative observes that the Postal Service's Request comports with the provisions of title 39. The contract appears to be beneficial to the Postal Service, the contract partner and the general public.

II. DISCUSSION

This is the first Express Mail, Priority Mail & First-Class Package Service Contract requested by the Postal Service. The Postal Service uses the established models for Express Mail, Priority Mail and First-Class Package Services to ensure each

¹ Notice and Order Concerning Addition of Express Mail, Priority Mail & First-Class Package Service Contract 1 to the Competitive Product List (Order No. 1458), August 31, 2012.

component of the contract will be profitable. The Postal Service then weights the cost coverage of each component by volume.

Based on the financial workpapers filed by the Postal Service it is likely that the contract will likely meet the requirements of 39 U.S.C 3633(a) during the first contract year. No data have been provided by the Postal Service that demonstrates that the contract will meet the requirements of 39 U.S.C. 3633(a) in subsequent years. However, the contract contains several terms that adjust the prices in the contract periodically. It appears that the inclusion of these terms will help maintain the contract's ability to meet the requirements of 39 U.S.C. 3633(a) over the lifetime of the contract. The Public Representative is also mindful that Postal Service will file cost, revenue, and volume data in each year's Annual Compliance Report that will aid the Commission in ensuring the requirements of 39 U.S.C. 3633(a) continue to be met.

While the contract appears that it will cover costs, the contract contains an additional discount that is not explained. See Summary_Analysis_public.xls. This discount is not discussed in the Postal Service's Request or in the redacted contract. While the inclusion of the discount does not impact the contract's ability to meet the requirements of 39 U.S.C. 3633(a), the Postal Service should be required to explain all adjustments to costs and revenues made in the model(s). These explanations will help the Commission and the public review the contracts in a timely manner when the Postal Service requests a new contract and when contracts are reviewed in the Annual Compliance Determination.

III. CONCLUSION

The Public Representative, after accessing and reviewing all materials the United States Postal Service submitted under seal in this matter, acknowledges that the pricing in the present Express Mail, Priority Mail & First-Class Package Service Contract 1 appears to comport with relevant provisions of title 39. This contract contains provisions favorable to both the Postal Service and the public.

The Public Representative respectfully submits the preceding Comments for the Commission's consideration.

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Docket Nos. MC2012-46 & CP2012-55

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